

Report

Foreign Investment in Catalonia and Catalan Investment Abroad.

2013

Barcelona, April 2014



Ajuntament de
Barcelona

Barcelon**a**ctiva

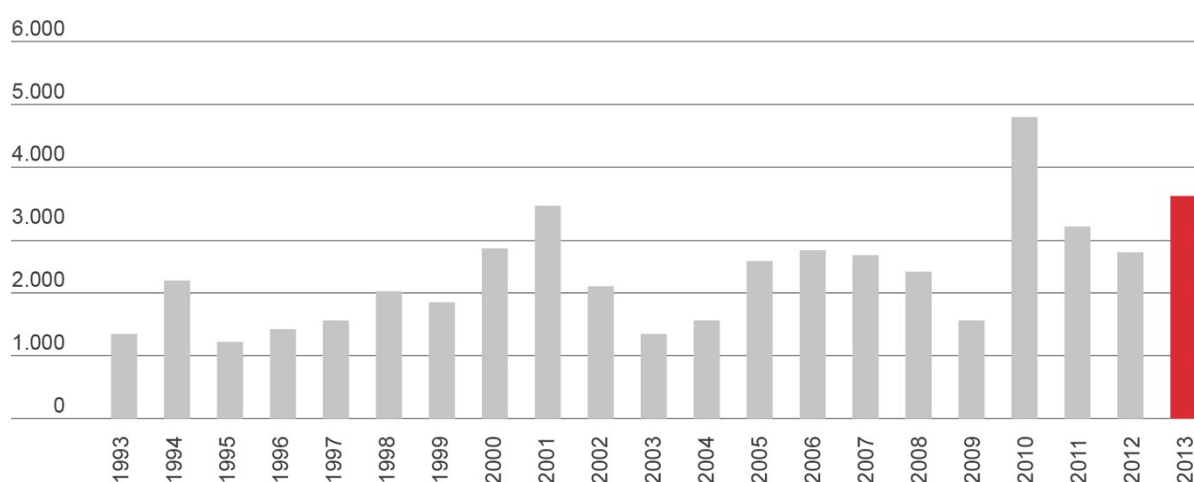
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01 Foreign investment in Catalonia

Productive foreign investment¹ in Catalonia came to €3.511 million in 2013, up 31.5% over the previous year. This is a very positive trend since this increase is higher than the rise in FDI both internationally² (+11%) and especially in Spain (+8.8%), while the volume of FDI in Catalonia in 2013 in nominal terms, is the second largest in the historical series after the exceptional results achieved in 2010.

Productive foreign investment* in Catalonia 1993-2013 (M€)



*Gross investment without holding companies (in millions of euro).

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

By contrast foreign investment in holding companies has fallen in Catalonia (-31.3%) and Spain (-27.9%). Overall, total gross foreign investment rose 21.7% year-on-year in Catalonia, while in Spain it fell slightly (-0.7%).

Foreign investment in Catalonia				
	2012 Millions of euro	2013 Millions of euro	Change 2013/12 (%)	Cat./Spa. 2013 (%)
Total gross investment	3.163,6	3.850,6	21,7	19,8
Gross investment without holding companies	2.669,1	3.511,0	31,5	22,2
Gross investment in holding companies	495,5	399,6	-31,3	9,3

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

¹ Productive investment means investment not including holding companies, which are companies set up in Spain to hold shares in foreign companies. The operations of these types of companies involve transfers within the same group. Holding companies are part of a group's tax optimisation strategies.

² According to UNCTAD estimates (*Global Investment Trend Monitor*, No. 15).

Foreing investment in Spain

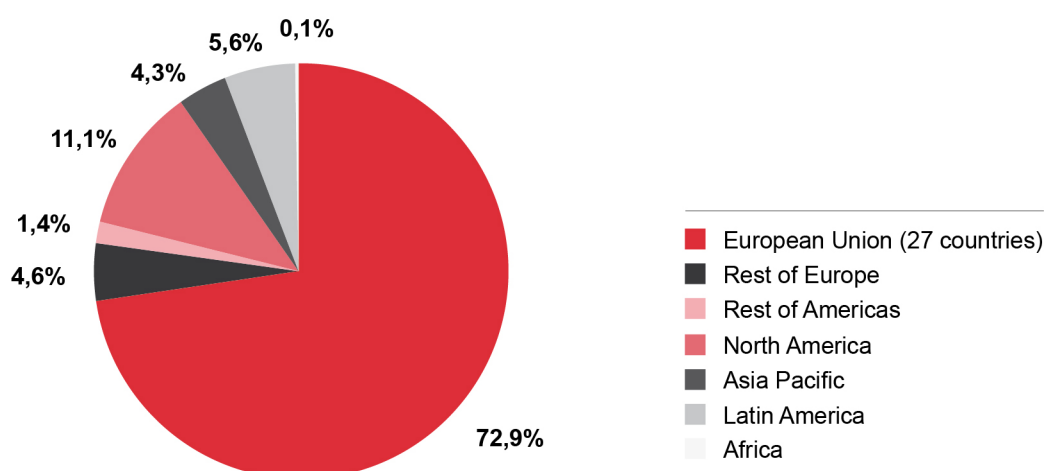
	2012 Millions of euro	2013 Millions of euro	Change 2013/12 (%)
Total gross investment	19.631,8	19.485,6	-0,74
Gross investment without holding companies	14.536,4	15.814,3	8,79
Gross investment in holding companies	5.095,4	3.671,3	-27,95

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

Following these results, gross foreign productive investment in Catalonia accounts for 22.2% of the total for Spain, a share nearly 4 points higher than in 2012 (18.4%) and larger than Catalonia's estimated contribution to national GDP. Catalonia's share of total gross investment stands at 19.8%.

01.1 ORIGIN OF FDI

In 2013 the European Union once more generated most FDI in Catalonia (72.9% of the total, over €2,500 million), while North America and Latin America accounted for 11.1% and 5.6% respectively. Compared to 2012, investment from the European Union and North America grew most in absolute terms (+€315.8 and +€322.4 million respectively), while the evolution of investment from North America stands out once more in relative terms as it increased more than five-fold (+484.9%). Investment from the EU rose by 14.1% year-on-year in 2013 yet its relative importance declined by more than 11 percentage points, reflecting the greater geographical diversification of foreign investment in Catalonia.

Foreign investment in Catalonia* by immediate investing country (% total) 2013

*Gross investment without holding companies (in millions of euro).

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

By country of origin, investment in Catalonia came mainly from Germany (25.4% of the total), the Netherlands (17.4%), Luxembourg (14.1%) and the USA (9.4%). There were absolute increases in investment from the first two countries (+€731.3 and +€402.6 million respectively), while in percentage terms growth in investment from Canada, Malta, the Netherlands Antilles and Mexico (which started from very low levels) and Germany, the USA and the Netherlands (among countries with significant volumes of FDI) stands out. However, FDI from the United Kingdom (-70.2%) and Luxembourg (-35.6%) was significantly down in both absolute and percentage terms.

Productive foreign investment in Catalonia by immediate investint country. 2013				
	2013 Millions of euro	% total	Year-on-year Change	
			Absolute	%
Germany	893,1	25,4	731,3	452,3
Netherlands	612,3	17,4	402,6	191,9
Luxembourg	495,2	14,1	-273,8	-35,6
USA	330,6	9,4	264,8	402,4
France	229,8	6,5	120,8	110,8
Mexico	167,6	4,8	149,5	825,8
United Kingdom	147,8	4,2	-347,7	-70,2
Switzerland	73,1	2,1	13,7	23,1
Italy	65,0	1,9	22,6	53,4
Qatar	62,4	1,8	62,4	-
Canada	58,4	1,7	57,7	8.218,4
Japan	56,0	1,9	22,4	66,8
ANetherlands ntilles	44,1	1,3	39,5	874,3
Malta	38,5	1,1	35,5	1.177,0
Andorra	36,3	1,0	9,3	34,4
Other	201,0	5,7	-468,8	-70,0
TOTAL	3.511,0	100,0	841,9	31,5

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on DatainveX, Ministry of Economy and Competitiveness.

FDI by economic sector

As for the sector composition of productive foreign investment in Catalonia in 2013, the importance of **manufacturing industry**, which accounted for about 40% of the total and came to more than €1,350 million, stands out followed by the **information and communications** sector (13.5%) and **business services** (10.3%). The largest relative and absolute increases compared to the previous year were in transport and storage, information and communications and financial and insurance activities. By contrast, the sectors to lose most investment were arts and recreation, electricity and gas, and water, sewage and waste (which did not, however, play a primary role in earlier years).

Productive foreign investment in Catalonia by economic branches. 2013

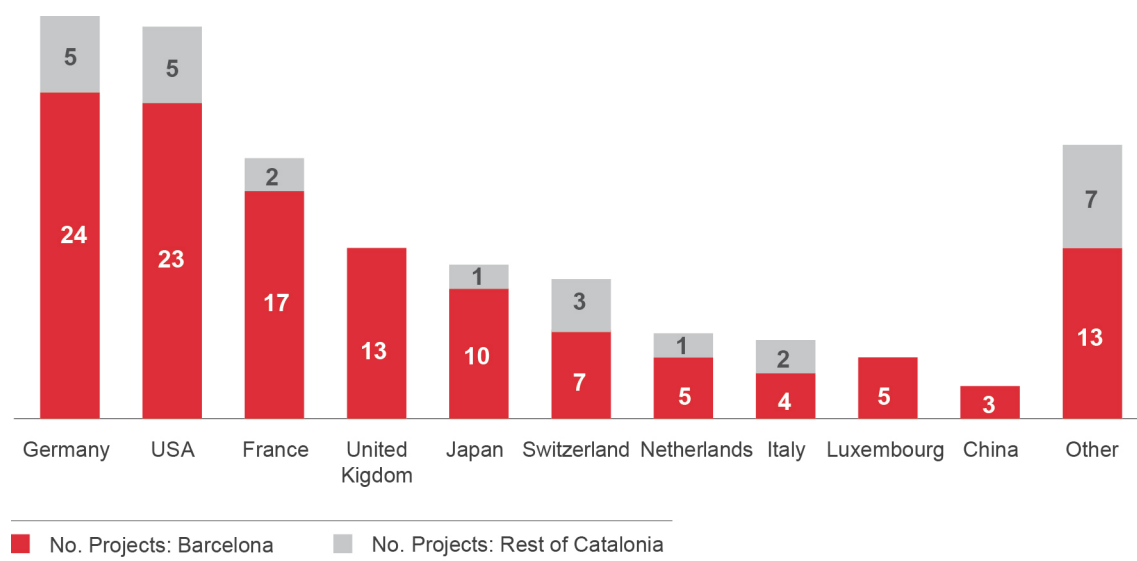
	2013 Millions of euro	% total	Year-on-year Change	
			Absolute	%
Agriculture, livestock and fishing	1,4	0,0	-0,70	-33,90
Mining and quarrying	1,6	0,0	0,15	10,24
Manufacturing industries	1.366,8	38,9	158,49	13,12
Electricity and gas	0,0	0,0	-35,87	-99,87
Water, sewage, waste	5,0	0,1	-55,66	-91,75
Construction	180,4	5,1	37,86	26,57
Trade and repairs	342,0	9,7	29,62	79,85
Transport and storage	211,1	6,0	201,70	2.146,42
Accommodation and food services	59,7	1,7	26,51	79,85
Information and communications	473,7	13,5	375,23	381,07
Financial and insurance	262,1	7,5	163,53	165,93
Real estate	205,0	5,8	63,18	44,53
Business services	360,8	10,3	-18,34	-4,84
Education	0,1	0,0	-0,01	-9,92
Health and social services	33,9	10	1500	79,23
Arts, recreation	7,3	02	-115,80	-94,09
Other services	0,1	0,0	-2,95	-97,70
TOTAL	3.511,0	100,0	841,92	31,54

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainveix, Ministry of Economy and Competitiveness.

01.2 INVESTMENT PROJECTS RECEIVED IN 2013 IN BARCELONA AND CATALUNYA

According to *Invest in Catalonia*, 124 out of the total of 150 incoming foreign investment projects in Catalonia in 2013 are in Barcelona province, and of these 73 are in the city of Barcelona (82.7% and 48.7% of the Catalan total respectively). Although the number of projects was greatly down compared to 2012 (a year in which Catalonia received 221 projects), the higher investment volume in 2013 indicates that the projects which are carried out are on average financially larger.

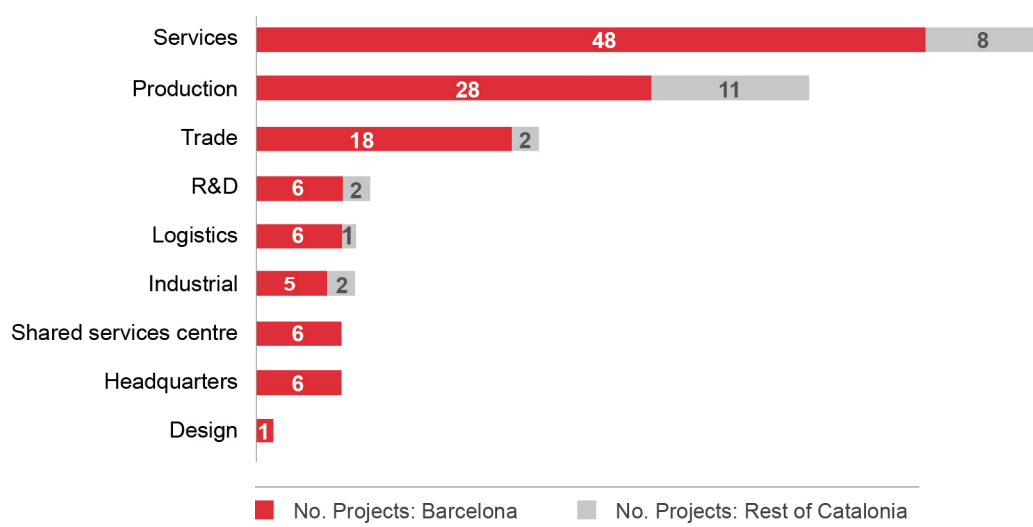
By country of origin, Germany and the United States top the list of countries to have located most investment projects in Catalonia with 19.3% and 18.7% of the total, followed by France, the United Kingdom and Japan (with 12.7%, 8.7% and 7.3% of the total respectively). In the Barcelona area the country distribution of investment projects is similar, and both France and the United Kingdom rose slightly in relative terms (in fact, all projects from Britain are in the province).

Number of foreign investment projects in Barcelona* and Catalonia by country of origin. 2013

* Province figures.

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Invest in Catalonia.

In terms of business fields the list is headed by services projects (accounting for 38.7% of the total in the area) followed by the production and trade sectors making up 22.6% and 14.5% respectively.

Foreign investment projects by activity in Barcelona* and Catalonia. 2013

* Province figures.

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Invest in Catalonia.

01.2 BARCELONA'S INTERNATIONAL POSITIONING IN A ATTRACTING FORING INVESTMENT

In the *European Cities and Regions of the Future 2014/15* report by fDi Intelligence Barcelona stands seventh among the top 25 European cities in the global ranking for attracting foreign investment, ahead of cities like Berlin, Amsterdam, Edinburgh and Paris. The report also places Barcelona as the fourth large city in Europe and the first city in the south of Europe in its global ranking and for strategies aimed at attracting foreign direct investment. fDi Intelligence also highlights the positive development of the country's economy in the last quarter of 2013.

Top 25 european cities (global ranking)		
Ranking	City	Country
1	London	United Kingdom
2	Helsinki	Finland
3	Eindhoven	Netherlands
4	Cambridge	United Kingdom
5	Dublin	Ireland
6	Munic	Germany
7	Barcelona	Spain
8	Berlin	Germany
9	Amsterdam	Netherlands
10	Reading	United Kingdom
11	Edinburgh	United Kingdom
12	Vienna	Austria
13	Glasgow	United Kingdom
14	Rotterdam	Netherlands
15	Lyon	France
16	Paris	France
17	Grenoble	France
18	Utrecht	Netherlands
19	Birmingham	United Kingdom
20	Ghent	Belgium
21	Liverpool	United Kingdom
22	Lisbon	Portugal
23	Derby	United Kingdom
24	Cork	Ireland
25	Galway	Ireland

Source: FDI Magazine, *European Cities and Regions of the future 2014/2015*.

The report further says that Catalonia is the third southern European region in the global ranking, only behind two Italian regions (Lombardy and Tuscany) and ahead of Lisbon and other Spanish regions such as Madrid and Valencia. As for attracting business, Catalonia is eighth among the large European regions, ahead of Baden-Württemberg and Madrid.

Top 10 large european regions in attracting business		
Ranking	Region	Country
1	Sud-est	United Kingdom
2	Île-de-France	France
3	Northwest	Germany
4	Scotland	United Kingdom
5	Central District	Russia
6	Northwest	United Kingdom
7	West Midlands	United Kingdom
8	Catalonia	Spain
9	Lombardy	Italy
10	Region of Madrid	Spain

Source: FDi Magazine, *European Cities and Regions of the future 2014/2015*.

Moreover, according to the KPMG *Global Cities Investment Monitor* for 2013, which is another internationally renowned source, Barcelona is tenth among the world's major urban areas and fourth among Europe's for incoming greenfield foreign investment projects (ones without local partners or in new locations) and has moved up two places compared to 2012. Likewise, in the period 2009-2013 it was also tenth overall with a total of 518 projects. According to this source, between 2012 and 2013 international greenfield investment projects in Barcelona grew by 3.9%. In addition, Barcelona accounted for 30% of foreign investment projects in Spain in 2013, followed by Madrid (with 18%). This percentage for Barcelona is lower than London in the United Kingdom (38%) but well above Frankfurt, Warsaw and Düsseldorf (10%, 14% and 16% respectively).

Foreign investment projects, 2013		
2013	City	Projects
1	London	305
2	Shanghai	215
3	Hong Kong	189
4	New York	162
5	São Paulo	151
6	Sydney	124
7	Paris	119
8	Moscow	116
9	Beijing	115
10	Barcelona	106
11	San Francisco	93
12	Düsseldorf	87
13	Dublin	82
14	Tokyo	79
15	Amsterdam	70

Source: *Global Cities Investment Monitor 2014*, KPMG.

Major investments in 2013 in Barcelona province included an IBM cloud computing centre in Cerdanyola del Vallès, a development centre in Barcelona for telecom company Chronos Group, and new production lines for Coty in Granollers and the SICAME energy industry group in Castellbisbal.

In short, foreign investors continue to see the Barcelona area as an attractive environment for doing business and setting up business operations in spite of the difficulties currently being faced by southern Europe's economies.

02

Catalan investment abroad

Gross Catalan investment abroad (not including holding companies) stood at €1,846.4 million in 2013, which was a fall of 6.9% compared to the same period in the previous year. Total gross investment came to €2,058.4 million, down by 7.7% with investment in holding companies experiencing the largest decrease (-14.2%).

Catalan investment abroad				
	2012 Millions of euro	2013 Millions of euro	Change 2013/12 (%)	Cat./Spa. 2013 (%)
Total gross investment	2.231,0	2.058,4	-7,7	9,4
Gross investment without holding companies	1.983,8	1.846,4	-6,9	11,7
Gross investment in holding companies	247,2	212,1	-14,2	3,4

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

This change meant that gross Catalan productive investment³ abroad stood at its lowest level since 1998 and accounted for 11.7% of investment by Spanish companies, a figure lower than in 2012 (12.9%) and below its relative importance in the national economy. Catalonia's share of total gross investment is lower (9.4%).

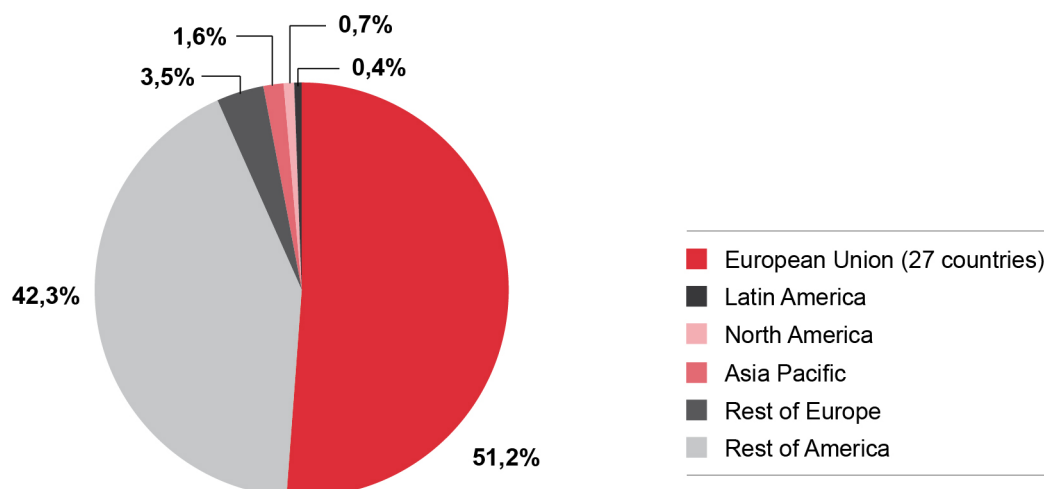
By contrast, total gross Spanish investment abroad in 2013 performed positively with a 13.1% increase compared with the previous year driven by significant improvement in investment in holding companies (+52.4%) and a much smaller increase in productive investment abroad (+2.7%).

Spanish investment abroad			
	2012 Millions of euro	2013 Millions of euro	Change 2013/12 (%)
Total gross investment	19.368,6	21.896,8	13,1
Gross investment without holding companies	15.325,1	15.733,2	2,7
Gross investment in holding companies	4.043,6	6.163,5	52,4

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

In 2013 the European Union remained the largest recipient of Catalan foreign investment (51.2% of the total) although its relative importance declined by almost 11 percentage points over 2012. Thus as noted above with respect to incoming foreign investment in Catalonia, Catalan investment abroad is less concentrated in the European Union which had seen a notable increase in the previous year. By contrast, in 2013 the relative importance of investment in Latin America rose (going from 27.6% to 42.3% of total) while investment in other geographical areas fell to 1.6%, 0.2% and 0.7% of the total in Asia Pacific, Africa and the rest of Europe respectively.

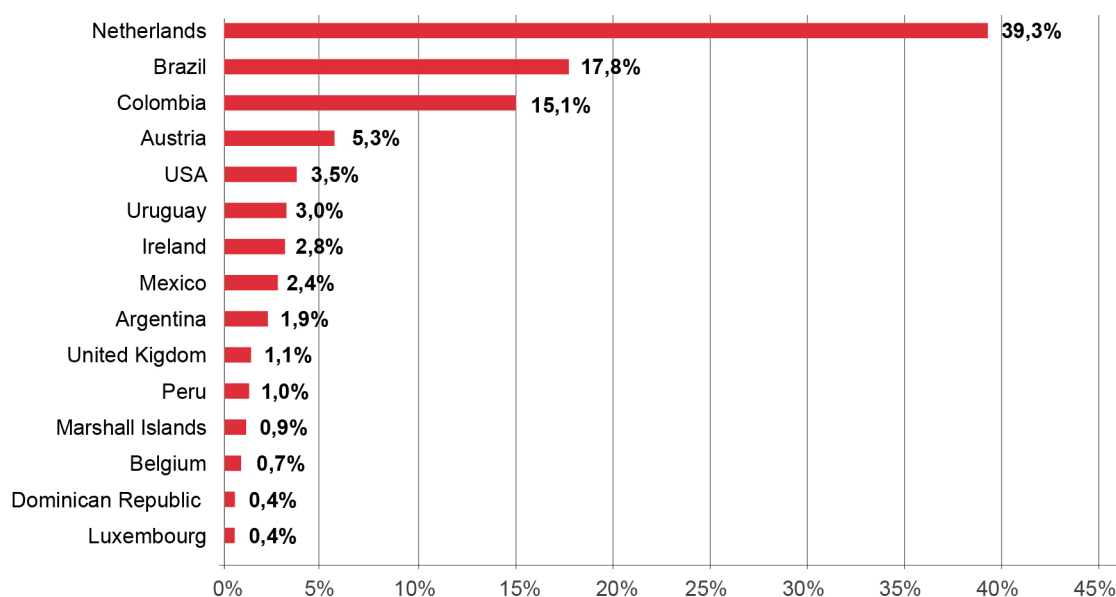
³ Not including holding companies.

Catalan investment abroad by region of destination (% total) 2013

* Gross investment without holding companies.

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

By countries, in 2013 almost 40% of Catalan investment abroad went to the Netherlands (39.3%), while Brazil and Colombia were the most important Catalan investment destinations in Latin America (with 17.8% and 15.1% of the total respectively). 72.2% of Catalonia's investment abroad is concentrated in these three countries and six of the top ten recipients are countries in the Americas.

Destination of Catalan investment abroad. Main destination countries, 2013 (% total)

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on Datainvox, Ministry of Economy and Competitiveness.

In 2013 three sectors accounted for over 80% of gross Catalan foreign investment: manufacturing industries (49.1%), transport and storage (17.1%) and financial and insurance activities (15.9%). These three areas have achieved significant increases in investment abroad, in particular the absolute growth in manufacturing industry (more than €400 million) and the percentage rise in transport and storage. Most of the other sectors saw their volume of investment received fall compared to 2012, especially in trade and repairs (-89.4%), although information and communications rose significantly (+68.8%).

Catalan investment abroad by economic branches. Catalonia 2013

	2013 Million of euro	% total	Year-on-year Change	
			Absolute	%
Agriculture, livestock and fishing	7,5	0,4	-16,6	-68,9
Mining and quarrying	0,0	0,0	-0,2	-1000
Manufacturing industries	907,0	49,1	438,1	93,4
Electricity and gas	21,6	1,2	-13,4	-38,3
Water, sewage, waste	0,0	0,0	-6,1	-100,0
Construction	103,7	5,6	-196,6	-65,5
Trade and repairs	75,1	4,1	-630,4	-89,4
Transport and storage	315,4	17,1	302,0	2.253,7
Accommodation and food services	0,5	0,0	-3,1	-86,1
Information and communications	54,0	2,9	22,0	68,8
Financial and insurance	293,7	15,9	156,2	113,6
Real estate	59,1	3,2	-158,6	-72,9
Business services	7,6	0,4	-11,4	-60,0
Education	0,0	0,0	-0,1	-100,0
Health and social services	0,5	0,0	0,5	1,2
Arts, recreation	0,6	0,0	-19,7	-97,0
Other services	0,0	0,0	-0,2	-100,0
TOTAL	1.846,4	100	-137,4	-6,9

Source: Department of Studies of the Area of Economics, Enterprise and Employment of Barcelona City Council based on DatainveX, Ministry of Economy and Competitiveness.

The data analysed show that in 2013 Catalonia was a net importer of capital for the fourth consecutive year, maintaining the trend started in 2009 after nearly a decade of a net export balance.